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U.S. DEPARTMENT OF AGRICULTURE
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FACT SHEET ON

GOOD FARM LEASES*

Why a Good Lease Is Necessary. Nearly half of the Nation's farmers rent the land they use. Many veterans and war workers who want to farm after the war, particularly the unexperienced, may want to rent a farm before they invest in one. But there's more to renting a farm than merely selecting the location. Careful consideration should be given to getting a good farm lease. Such an agreement with terms completely stated and clearly understood by both landlord and tenant before it is signed, will make for harmony and successful operation of the farm.

Why a Good Lease Is Important to the Tenant. A good farm lease is not a substitute for a farm of sufficient size or for a good landlord. But a long-term written lease which provides for an equitable rental and gives the tenant security and stability on the land he farms can go a long way toward improving tenant farming.

For instance, a lease that gives the tenant stable and secure rights to the use of the farm for a definite period of time will encourage him to plan his farm business more carefully. It will permit him to plan for the best development of the farm. And he will have a better chance to become a good manager because he knows what to expect and what his rights are. He and his family, knowing their security on the farm, will also be more likely to take part in community activities. It is impractical for a farmer to plan for the future if he is uncertain as to how soon he may have to move.

A lease that specifies a rental rate that fits the type of farming to be carried on will encourage the tenant to do a better job of farming. If it is a cash lease, it will also provide for a sliding scale to take care of sudden changes in prices and production conditions. (A sliding scale means that when prices of farm products fall, the farmer pays less rent; when prices go up, more rent.)

The good lease will also guarantee full benefits from improvements the tenant has made, by providing for compensation by the landlord, in case the tenant leaves the farm before he gets full use of the improvements. A tenant farmer whose lease contains this provision will be more likely to build fences, repair and improve the buildings, and make land improvements. In case the tenant adds movable improvements to the farm, a good lease will permit him either to take them with him when he moves or to be paid a fair value for them.

Also, an important benefit to the tenant is that a good written lease will greatly reduce the chances for misunderstandings with the landlord. Finally, the renter will know that, in the event of his death, the rights of his family are more likely to be protected.

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Why a Good Lease Is Important to the Landlord. A good farm lease, of course, works both ways. What is good for the tenant is usually good for the landlord too. But there are special ways in which the landlord benefits.

Under a lease that gives the tenant a secure status, the landlord's farm will likely be better cared for and developed. Returns from farming operations that can be planned efficiently over a period of years are greater, and with a share lease, the rent received by the landlord will increase. He can also be more certain that his soil will be conserved and built up, buildings kept in good repair, and general improvements made when needed. A sliding scale for cash rental payments assures the landlord that he will share in the benefits of rising farm prices.

Basic Essentials of a Good Lease. To be legally valid in most States, a lease must contain: (1) The names and signatures of landlord and tenant; (2) a description of the land and the improvements to be leased; (3) the period of time for which the lease is to run and the date on which it was made; and (4) the kind and amount of rent, and when and where it is to be paid.

These are only the minimum requirements. But a lease that covers only these points leaves too many items to be agreed upon later. It is essential that all the details that are important to the agreement be discussed fully, decided upon, and then made a part of the lease.

Stability of tenure can best be accomplished in any of three ways:

- (1) A long-term lease (one drawn for at least 5 years).
- (2) A long-term cancelable lease (one drawn for a period of years which can be canceled for specific reasons after adequate written notice by either party).
- (3) A lease that continues automatically from year to year unless one of the parties gives written notice 6 months or more before the lease year is up.

How to Get a Good Farm Lease. Standard lease forms may be obtained from the local county agent, or by writing to the State College of Agriculture, or to the Department of Agriculture in Washington, D.C. These forms may not always fit a particular situation, but they will help in providing legal terminology and legal specifications that are required under the laws of a particular State.

